

**City of Ionia
Ionia County, Michigan**

**SUPPLEMENTARY INFORMATION TO
BASIC FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

June 30, 2004

City of Ionia

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and
Members of the City Council
City of Ionia
Ionia, Michigan

Compliance

We have audited the compliance of the City of Ionia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to the major Federal programs for the year ended June 30, 2004. The City of Ionia's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the major Federal programs are the responsibility of the City of Ionia's management. Our responsibility is to express an opinion on the City of Ionia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the City of Ionia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Ionia's compliance with those requirements.

In our opinion, the City of Ionia complied, in all material respects, with the requirements referred to above that are applicable to the major Federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

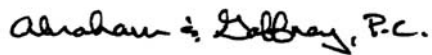
The management of the City of Ionia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the City of Ionia's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City of Ionia as of and for the year ended June 30, 2004, and have issued our report thereon dated November 9, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, City Council of the City of Ionia, the pass-through grantors, and the U.S. Departments of Justice, Transportation, and Homeland Security and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 9, 2004

City of Ionia, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Current Year</u>	
				<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF JUSTICE					
Passed through State of Michigan Office of Drug Control Policy and Newaygo County Byrne Formula Grant Program	16.579	70894-3K02	\$ 64,924	\$ 16,467	\$ 16,467
2002-2003 CMET		N/A	<u>41,246</u>	<u>41,246</u>	<u>41,246</u>
2003-2004 CMET			106,170	57,713	57,713
Bureau of Justice Assistance (Direct Program)					
2003 Bullet Proof Vest Partnership Program	16.607	N/A	<u>1,067</u>	<u>1,067</u>	<u>1,067</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			107,237	58,780	58,780
U.S. DEPARTMENT OF TRANSPORTATION					
Passed through Michigan Department of Transportation					
Federal Transit - Capital Investment Grants ^(a)	20.500				
Section 5309 Capital (City)		2002-0050/Z7	299,038	212,739	212,739
Section 5309 Capital (City)		2002-0050/Z3	<u>237,568</u>	<u>172,186</u>	<u>172,186</u>
			536,606	384,925	384,925
Jobs Access and Reverse Commute Grant	20.516				
Operating (City) FY 02-03		2001-0444/A1	81,570	10,076	10,076
Operating (City) FY 03-04		2001-0444/A2	<u>81,570</u>	<u>30,432</u>	<u>30,432</u>
			163,140	40,508	40,508

City of Ionia, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Current Year</u>	
				<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION - CONTINUED					
Passed through Michigan Department of Transportation - continued					
Formula Grants for Other Than Urbanized Areas	20.509				
RTAP 2003-2004		N/A	\$ 1,989	\$ 1,989	\$ 1,989
Section 5311 Operating Assistance					
2003-2004 (City)		2002-0050/Z9	26,914	26,914	26,914
2003-2004 (Authority)		2002-0051/Z6	16,882	16,882	16,882
Section 5311 Capital Grant (Authority)		2002-0051/Z5	<u>36,000</u>	<u>34,758</u>	<u>34,758</u>
			<u>81,785</u>	<u>80,543</u>	<u>80,543</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			781,531	505,976	505,976
U.S. DEPARTMENT OF HOMELAND SECURITY					
The State Homeland Security Grant Program					
Passed through Michigan Department of State Police,					
Emergency Management Division					
State Domestic Preparedness Equipment					
Support Program	97.004				
Solutions Area Planner		N/A	<u>25,000</u>	<u>9,461</u>	<u>9,461</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 913,768</u>	<u>\$ 574,217</u>	<u>\$ 574,217</u>

^(a) Denotes program tested as a "major program"

City of Ionia

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2004

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the City of Ionia and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements which are reconciled in Note B.

NOTE B: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the Federal revenues reported in the June 30, 2004 Basic Financial Statements to the expenditures of the City administered Federal programs reported on the Schedule of Expenditures of Federal Awards.

	<u>Federal/ State/Local Revenue</u>	<u>Less State/Local Revenue</u>	<u>Other Adjustments</u>	<u>Federal Expenditures</u>
GENERAL FUND				
Homeland Security Grant	\$ 9,461	\$ -	\$ -	\$ 9,461
CMET reimbursements	33,990	-	23,723 ⁽¹⁾	57,713
Other programs	<u>997,544</u>	<u>(996,477)</u>	<u>-</u>	<u>1,067</u>
TOTAL GENERAL FUND	1,040,995	(996,477)	23,723	68,241
ENTERPRISE FUNDS				
Dial-A-Ride Fund	<u>505,976</u>	<u>-</u>	<u>23,723</u>	<u>505,976</u>
	<u>\$ 1,546,971</u>	<u>\$(996,477)</u>	<u>\$ 23,723</u>	<u>\$ 574,217</u>

⁽¹⁾ Included in other reimbursements in the basic financial statements.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Ionia
Ionia, Michigan

We have audited the basic financial statements of the City of Ionia as of and for the year ended June 30, 2004, and have issued our report thereon dated November 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Ionia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ionia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the City Council of the City of Ionia, the pass-through grantors, and the U.S. Departments of Justice, Transportation, and Homeland Security and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

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Certified Public Accountants

November 9, 2004

City of Ionia

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There were no reportable conditions disclosed by the audit of the basic financial statements. We noted no instances of noncompliance with laws, regulations, contracts, and grants that could have a direct and material affect on the basic financial statements.

An unqualified opinion was issued on compliance for major programs. We did not disclose any findings regarding internal controls or compliance related to the major programs tested.

The major program tested to cover 50 percent of the total Federal expenditures was the Federal Transit - Capital Investment Grants (CFDA 20.500). Total Federal expenditures for the year ended June 30, 2004, for the major programs were \$384,925, which is approximately 67 percent of total Federal expenditures. The City qualified as a low-risk auditee.

The City had one Type A program, Federal Transit - Capital Investment Grants (CFDA 20.500). Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

None

City of Ionia

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2004

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements.

As noted in the prior year financial statements, the City did not record general fixed assets in the financial statements for the year ended June 30, 2003, as required by accounting principles generally accepted in the United States of America.

The prior audit finding has been resolved.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.